

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 12

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: January 13, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between November 1, 1998 and December 28, 1998.

1. The yield on the 30 year U.S. Treasury bond has increased slightly from 5.15% to 5.17%.
2. The market level of the S&P 500 Index has increased from 1,099 to 1,228.
3. The U.S. dollar has been unchanged compared to the yen (116 to 116), mark (166 to 167), and pound sterling (167 to 167).
4. The Federal Reserve Board of Governors held a meeting on December 22, 1998. The Federal Reserve left the Fed Funds rate constant at 4.75% and discount rate at 4.50%.
5. As of December 28th, the U.S. equity market has experienced divergent returns by size and sector during the 1998 calendar year. The following list of major U.S. equity indices is provided for information purposes and will be discussed at the January Investment Committee meeting.

A. NASDAQ	38.3%
B. S&P 500 Index	26.6%
C. Russell 1000 Index	24.1%
D. Dow Jones Industrial Average	16.4%
E. Russell 2000 Index	(7.4%)
F. Bloomberg REIT Index	(22.3%)

Note: Attachments 1 and 2 are not available in electronic format at this time.

California State Teachers' Retirement System
Internal S&P 500 Portfolio

The California State Teachers' Retirement System's Internal S&P 500 Portfolio was \$1,100,592,227 as of November 30, 1998. Over the past eight months, the internal S&P 500 portfolio generated a return of 6.708%. The following table summarizes the returns and characteristics of the S&P 500 for the month of November 1998.

Table 1: Summary of S&P 500

	Portfolio Return ¹	Index Return ²	Tracking Error
4/98 - 11/98	+6.708%	+6.763%	-0.055%
11/98	+6.024%	+6.063%	-0.039%
Portfolio Market Value	1,101 (\$ mil.)		
Index Market Value	9,384 (\$ bil.)		
P/E Ratio	30.54		
Dividend Yield	1.40		

¹ Portfolio return calculated by State Street Bank Analytics.

² The total return for the index was calculated by Wilshire Associates.